

Message Text

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PAGE 01 CARACA 09567 092027Z

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ACTION ARA-20

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USIA-15 ACDA-19 IO-14 SCEM-02 EB-11 COME-00 INT-08

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TO SECSTATE WASHDC 1738

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TAGS: ERG

SUBJECT: CALDERA REJECTS IDEA OF REDUCING OIL OUTPUT

SUMMARY: PRESIDENT CALDERA SAID YESTERDAY THAT VENEZUELA WILL NOT REDUCE OIL PRODUCTION DURING CURRENT EMERGENCY WHEN TO DO SO WOULD CAUSE NATURAL CONSUMERS TO SUFFER FROM COLD AND TO HAVE TO CLOSE DOWN THEIR FACTORIES. HE WAS RESPONDING TO A PROPOSAL, PUT FORWARD BY A FORMER OIL MINISTER, THAT VENEZUELA'S OIL PRODUCTION BE REDUCED TO 1.5 MILLION B/D. END SUMMARY.

1. JUAN PABLO PEREZ ALFONZO, A FORMER MINISTER OF MINES AND HYDROCARBONS, WHO IS STILL WIDELY RESPECTED HERE AS ONE OF THE FOUNDERS OF OPEC AND AS A SORT OF "/PETROLEUM PHILOSOPHER EMERITUS," PROPOSED IN A PRESS CONFERENCE NOVEMBER 4 THAT VENEZUELA REDUCE ITS OIL PRODUCTION OVER 50 PERCENT TO 1.5 MILLION BARRELS PER DAY. HE SAID VENEZUELA SHOULD PRODUCE ADDITIONAL AMOUNTS ONLY WHEN DIRECTED BY UNITED NATIONS TO MEET INTERNATIONAL EMERGENCIES WHICH ARE NOT RELATED TO WARS. PEREZ ALFONZO'S SUGGESTION SURPRISED NO ONE AS HE HAS LONG BEEN KNOWN AS FORCEFUL ADVOCATE OF VIEW THAT VENEZUELA WASTES MOST OF ITS OIL EARNINGS ON BUREAUCRATIC AND POLITICAL EXCESSES, AND SHOULD THEREFORE LEARN TO LIVE ON LESS MONEY AND SAVE MORE OF ITS OIL FOR FUTURE GENERATIONS WHO UNCLASSIFIED

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PAGE 02 CARACA 09567 092027Z

HOPEFULLY WOULD KNOW HOW TO MAKE MORE PRODUCTIVE USE OF IT.

UN ANGLE, WAS, HOWEVER, A NEW ELEMENT IN PEREZ ALFONZO THESIS.

2. PRESIDENT CALDERA, IN HIS WEEKLY PRESS CONFERENCE NOVEMBER 8, WAS ASKED TO COMMENT ON PEREZ ALFONZO'S PROPOSALS. CALDERA'S REPLY, IN ESSENCE, WAS THAT TO ADOPT PEREZ ALFONZO'S IDEAS WOULD BE TO IGNORE IRRESPONSIBLY VENEZUELA'S INTERNATIONAL AND DOMESTIC OBLIGATIONS.

3. CALDERA, AFTER FIRST STRESSING THAT VENEZUELA IS NOW PRODUCING SUBSTANTIALLY SAME AMOUNT OF OIL IT PRODUCED WHEN PEREZ ALFONZO WAS MINISTER, SAID THAT "TO REDUCE QUANTITY OF OIL THAT VENEZUELA SUPPLIES TO ITS NATURAL CONSUMERS WOULD BE A HARDLY JUSTIFIABLE ACT, IT WOULD BE TO CAUSE, IN PERIOD OF EMERGENCY, MANY FAMILIES TO SUFFER FROM COLD, MANY FACTORIES TO CLOSE, AND MANY ACTIVITIES TO HAVE TO CEASE". AS FOR IDEA OF UNITED NATIONS IDENTIFYING WHICH CRISES VENEZUELA SHOULD RESPOND TO, CALDERA SAID, "I DO NOT AGREE THAT OUR SOVEREIGNTY SHOULD BE SUBORDINATED TO UNITED NATIONS NOR TO ANY OTHER ORGANISM TO DECIDE THAT WHICH WE SHOULD DECIDE."

4. TURNING TO GOVERNMENT'S DOMESTIC RESPONSIBILITIES, CALDERA THEN RECITED IMPRESSIVE LIST OF NEEDS WITHIN VENEZUELA THAT CAN ONLY BE MET WITH ADDITIONAL RESOURCES THAT WILL COME TO GOVERNMENT AS RESULT OF HIGHER OIL PRICES. HE LISTED FOLLOWING PRIORITY AREAS THAT NEED INCREASED FINANCIAL SUPPORT: PUBLIC HEALTH, MAIL SERVICE, TELEGRAPH SERVICE, TRAFFIC CONTROL, PRISONS, EMBASSIES ABROAD, AGRICULTURAL DEVELOPMENT, INDUSTRIAL DEVELOPMENT INCLUDING GAS AND PETROCHEMICAL INDUSTRIES, EDUCATION, POLICE SERVICES, AND HOUSING.

5. CALDERA CLOSED BY EXPRESSING HIS RESPECT AND ADMIRATION FOR PEREZ ALFONZO BUT QUESTIONING HIS OMNIPOTENCE. HE RECALLED THAT PEREZ ALFONZO HAD PREDICTED LAST YEAR THAT GOVERNMENT REVENUES WOULD BE TWO BILLION BOLIVARES LESS THAN GOVERNMENT HAD ESTIMATED AND ACTUAL REVENUE TURNED OUT TO BE TWO BILLION MORE THAN GOVERNMENT'S ESTIMATE.

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